



Department of Justice

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AT
(202) 616-2771
TDD (202) 514-1888

JUSTICE DEPARTMENT FILES SUIT TO BLOCK NEW JERSEY CLAY COMPANY'S BID TO PURCHASE WEST VIRGINIA CLAY COMPANY'S PLANT AND RESERVES

WASHINGTON, D.C. -- The Justice Department filed an antitrust suit today to block a New Jersey clay company's second attempt in eight years to buy out a West Virginia company--its largest competitor in the gel clay business--after the Department's Antitrust Division concluded that the merger would likely lead to higher prices and reduced innovation in the \$20 million a year U.S. gel clay market.

The Department said in its civil antitrust complaint filed in U.S. District Court in Macon, Georgia, that Engelhard Corporation's proposed acquisition of Floridin Company's processing plant and reserves would make it the largest company in the industry, controlling about 83 percent of the gel clay business.

An integral part of Engelhard's acquisition is its plan to close its processing facility, located in Attapulgus, Georgia, and operate Floridin's plant in Quincy, Florida. The loss of this facility, which continuously has produced high quality gel clay since 1921, will harm consumers who purchase products such as paint and asbestos-free asphalt roof products, the Department said.

Only three companies in the United States mine and process gellant quality attapulgite clay, also known as "gel clay." Gel clay, a form of attapulgite clay, is used as a thickener and suspension agent in construction products such as paint, joint tape compounds and asbestos-free asphalt roof products. Gel clay also is an important ingredient in liquid fertilizer, liquid animal feed and oil well drilling lubricants.

Engelhard Corporation is headquartered in Iselin, New Jersey, and Floridin Company is headquartered in Berkeley Springs, West Virginia.

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Anne K. Bingaman, the Assistant Attorney General for the Antitrust Division, said, "Engelhard and Floridin are each other's most significant competitor today, seeking to provide the best quality product at the lowest cost and striving to provide the best technical and customer services and product innovations. This consolidation will lead to higher prices for gel clay, affecting a wide range of products in important segments of the U.S. economy."

Engelhard abandoned its previous attempt to acquire Floridin's attapulgitic business assets in 1987 after the Department announced it would challenge the transaction under the antitrust laws.

The Department said this time Engelhard sought to avoid an antitrust challenge by entering a 10-year supply agreement with a third party, I.T.C. Industrials Inc. of Baltimore. Under that agreement, I.T.C. would distribute gel clay products produced at the Quincy plant.

Bingaman said, "A contract devised by the parties' lawyers just can't substitute for the real market competition that will be lost by this acquisition. This so-called 'fix' fails to remedy the harm that will be caused by the acquisition."

The Department said I.T.C. will have none of the assets nor an ownership interest in clay reserves or processing facilities, and only limited control over its own costs. As a result, the I.T.C. agreement fails to preserve any ongoing competition in mining, processing or product improvement.

The Department also stated that the agreement is flawed in its attempt to preserve marketing and product improvement. By combining all operations in one facility, it will obviously be much easier for the companies to work together rather than compete separately, the Department said.

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